

# HOUSE BILL REPORT

## ESHB 1064

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**As Passed House:**  
February 2, 2005

**Title:** An act relating to improving government performance and accountability.

**Brief Description:** Improving government performance and accountability.

**Sponsors:** By House Committee on State Government Operations & Accountability (originally sponsored by Representatives Miloscia, Nixon, Haigh, Shabro, Green, Hunt, Priest, Linville, Armstrong, Simpson, Bailey, Kenney, Haler, Springer, Chase, Quall, Murray, Wallace, McDermott, Upthegrove, Kilmer, Moeller, Kessler, Appleton, Williams, McCoy, Blake, Dickerson, Conway, Tom, P. Sullivan, Kagi, Morris, Wood, McIntire, Lantz, Hudgins, Ericks, Darneille, Clibborn, Morrell, Takko, O'Brien, Ormsby, McDonald and B. Sullivan).

**Brief History:**

**Committee Activity:**

State Government Operations & Accountability: 1/18/05, 1/19/05 [DPS].

**Floor Activity:**

Passed House: 2/2/05, 74-22.

**Brief Summary of Engrossed Substitute Bill**

- Creates a Citizen Oversight Board to develop assessments and grading systems for state agencies.
- Authorizes the State Auditor, in collaboration with the Board, to develop and implement a plan for performance audits of state government.

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**HOUSE COMMITTEE ON STATE GOVERNMENT OPERATIONS & ACCOUNTABILITY**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Haigh, Chair; Green, Vice Chair; Nixon, Ranking Minority Member; Clements, Hunt, McDermott, Miloscia and Schindler.

**Staff:** James Allen/Marsha Reilly (786-7135).

**Background:**

Various state agencies and programs address government efficiency and accountability.

The Joint Legislative Audit and Review Committee (JLARC) employs the Legislative Auditor and conducts performance audits, program evaluations, sunset reviews, and other studies. The State Auditor audits public accounts in state agencies and local governments. In addition, the State Auditor may conduct performance audits or performance verifications if authorized to do so in the Budget Act or in JLARC's work plan.

Legislation was enacted in 1996 establishing a performance based budgeting system for state agencies. Agencies are expected to: (a) establish mission statements and set goals; (b) develop strategies to achieve goals; (c) set outcome based objectives; (d) provide continuous self-assessment of each program; (e) link budget proposals with their mission statements and goals; and (f) objectively determine the success in achieving goals. The Office of Financial Management (OFM) assists agencies in developing strategic plans.

The Productivity Board was established to administer the employee suggestion program and the teamwork incentive program. State agencies are authorized to make employee recognition awards.

Governor Locke issued Executive Order 97-03 in 1997. The executive order directed all agencies to develop and implement programs to improve the quality, efficiency, and effectiveness of its public services using quality improvement, business process redesign, employee involvement, and other quality improvement techniques.

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### **Summary of Engrossed Substitute Bill:**

#### Citizen Oversight Board

A Citizen Advisory Board (Board) is created to improve efficiency, effectiveness, and accountability in state government. The Board consists of ten members as follows: the State Auditor, the Legislative Auditor, and the Director of OFM, who are non-voting members, four citizen members selected by the Governor from a list submitted by each major caucus in the Senate and the House of Representatives, and three citizen members appointed by the Governor. Citizen members may not be state employees and must have an understanding of state government operations and knowledge and expertise in performance management, quality management, strategic planning, performance assessments, or closely related fields. The JLARC provides staff support to the Board.

#### Assessment and Performance Grading

The Board must establish and conduct an annual assessment and performance grading program of all state agencies on a phased-in schedule. Areas to be assessed include quality management, productivity and fiscal efficiency, program effectiveness, contract management and oversight, internal audit, internal and external customer satisfaction, statutory and regulatory compliance, and technology systems and on-line services. The results of the annual assessment and grading program will be submitted to the Governor, the appropriate

legislative committees, and the public by December 15 of each year. Results will be posted on the internet.

### Performance Audits

The Board and the State Auditor must work together on performance audits of state government. Performance audit criteria are established by the Board. Agencies shall be audited using generally accepted government auditing standards, legislative mandates, and performance objectives established by state agencies and the legislature. Using these criteria, the State Auditor will contract for a statewide performance review as a preliminary step to preparing a draft work plan for conducting performance audits. The review must be completed in one year from the date of contracting.

In developing the draft work plan, the Board and the State Auditor must seek input from citizens, state employees including front-line employees, state managers, chairs and ranking members of the appropriate legislative committees, the JLARC, and public officials. Before adopting a final work plan, the Board and the State Auditor must consult with the Legislative Auditor to coordinate work plans and avoid audit duplication.

Performance audits will be contracted by the State Auditor. Areas that performance audits may consider are listed, including:

- identification of programs and services that can be eliminated, reduced, consolidated, or enhanced;
- analysis of gaps and overlaps in programs and services and recommendations to correct gaps or overlaps;
- analysis of, and recommendations about, the roles and functions of the state agency, its programs, and its services and their compliance with statutory authority;
- identification of potential cost savings in the state agency, its programs, and its services; and
- identification and recognition of best practices.

The State Auditor is directed to solicit comments on preliminary performance audit reports from the audited state agency, the Office of the Governor, OFM, the Board, JLARC, and the chairs and ranking members of the appropriate legislative committees. All comments must be incorporated into the final performance audit report. The State Auditor submits the final audit report to the Board and the Governor. The Board and the State Auditor shall jointly release the final audit reports to the citizens of Washington and the appropriate legislative committees. Final performance audit reports will be posted on the internet.

Audited agencies are responsible for follow-up and corrective action on all audit findings and recommendations. Agency plans for addressing each audit finding and recommendation will be included in the final audit report.

By June 30, 2007, and every four years following, JLARC must contract out for a performance audit of the performance audit program and the Board's responsibilities under the performance audit program.

The bill encourages the Administrative Office of the Courts to conduct performance audits of the courts under the authority of the Supreme Court, in conformity with the methods developed by the Board for Judicial Administration that have been approved by the Supreme Court. The Board for Judicial Administration is encouraged by the bill to consider quality improvement programs, audits, and scoring. The bill further encourages the judicial system to submit results of these efforts to the Chief Justice of the Supreme Court.

The legislature shall appropriate an amount equal to the top two one-hundredths of one percent of the total General Fund state appropriation each biennium to fund the performance review, performance audits, and the activities of the board.

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**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** (In support of original bill) This bill improves government performance and saves taxpayers money. Improved performance will come from a score card and grading of agencies on how well they save money, follow state law, state regulations, and audit systems. Businesses and organizations in the state already use quality management. A statewide performance review is a best practice and it is common sense to look at government and its systems comprehensively. Even though the State Auditor is elected, this bill is needed because improving government needs to be a collaborative process to make sure results are accomplished. Frontline employees are frustrated by waste and red tape. The frontline employees would benefit from a solid, honest performance audit. Section 4's look at staffing ratios is good because the workload of frontline employees has been increasing. The bill is good, but needs more independent accountability, a focus on sustainability, biennium assessments in line with the state budget, whistleblower protection, reviews of current tax exemptions, and the Supreme Court should be required to participate. Initiative 900 is out there now and is too extreme, so this bill is a better solution. The broad level of bi-partisan support is impressive. The Governor, JLARC, and agencies can't provide the strong perception of independence that the public demands and this bill provides. One idea for improvement would be to consider shifting the Citizens Oversight Board from an oversight board to an advisory board. The Washington State Quality Award is a great deal because the cost of joining by an agency would be \$500 to \$5,000 and in return the Washington State Quality Award process would provide \$85,000 to \$125,000 worth of services, as a result of their sponsorship by others and their volunteer support. The process the Washington State Quality Award uses is patterned after the Malcolm Baldrige National Quality Improvement Act and improves customer satisfaction, employee productivity and satisfaction, and provides additional benefits. It is important for quality to start at the top. The Washington State Quality Award has a great team-building effect, plus it is a bargain.

(Neutral) The Governor does not yet have a position on this bill. It would be good to keep working this bill and alternatives so that a bill can be formulated that the Governor and Legislature can agree on. There is concern that comprehensive audits of every agency won't reap savings, that they are expensive to conduct, that there needs to be an effort to ensure bang for the buck, and that business doesn't use regular performance audits but instead uses them in targeted ways. Also, performance audits aren't silver bullets, clear and disciplined leadership is the most effective way to increase performance, and performance audits do not build capacity to improve because they are too focused on the past.

**Testimony Against:** None.

**Persons Testifying:** (In support of the original bill) Representative Miloscia, prime sponsor. Dennis Eagle, Washington Federation of State Employees; Steve Zemke, Taxpayers for Washington's Future; David Goldstein, Taxsanity; and Gary B. Hills and Charles Bryan Parrish, The Boeing Company.

(Neutral) Jennifer Sprecher, Washington State Quality Award; and Mary Campbell, Office of the Governor.

**Persons Signed In To Testify But Not Testifying:** None.